

FAST Strategy Workshop - September 23, 2003

WORKSHOP REPORT

OVERVIEW

The purpose of the workshop was to pause and take stock of the FAST program and define what FAST should be focusing on in the coming years. FAST began in the mid-1990s and has successfully implemented many projects that reduce freight delays and improve intermodal freight connections. Participants acknowledged and celebrated the successes of the Phase I implementation and the securing of funding for some Phase II projects. Participants were updated on recent efforts to obtain funding for freight projects, noting that currently there is no dedicated funding for freight projects in the state budget.

Panelists, both freight users and freight providers, shared views on the emerging economic pressures, business needs, and challenges they face moving freight in the congested Puget Sound region. They also discussed ideas regarding what should be done to alleviate some of these pressures. Experience from around the world was shared, including direction on what FAST should do to remain competitive in a global market. Following a morning of intense discussion, participants worked in groups to discuss the challenges, opportunities, strategies and actions that FAST should focus on over the next several years.

The outcome of these discussions has been organized into themes that help confirm or re-define FAST in terms of who they are, what they should be doing, where they should focus their efforts (geographically), why they should do what they are doing, and how they should accomplish their goals. The “How” discussion is further organized into Challenges & Opportunities and Strategies & Actions related to Funding, Messaging, and Building Projects. Additionally, suggestions for new opportunities are captured in this section.

DEFINING THE THREAT

Puget Sound ports face extreme competition from US marine ports on the East and West Coasts, and from Vancouver, B.C. Since 1998, the ports of Seattle and Tacoma have lost 11.9% of foreign market share. Shippers are concerned about cost, reliability, and travel time for the total trip of their products, and choose routes that offer the best value for their customers. All links in the distribution chain are considered including marine travel time; port efficiency including dwell times, sorting, loading, security and landside access; truck travel times and the impacts of roadway congestion; airport and railway access and reliability; and related costs of all modes.

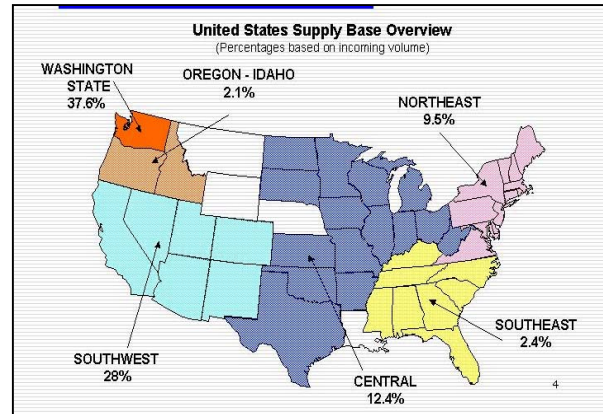
Below are key issues from the panelist’s discussions, focusing on significant challenges and direction to the workshop participants. Complete summaries of the presentations by the users and providers can be found in the workshop minutes.

Freight Users

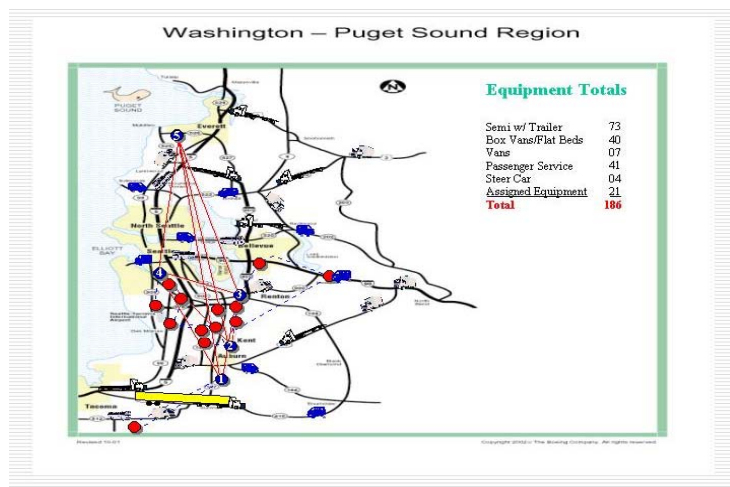
Scott Garl, Boeing

What's at Stake

Washington State retains **over 37% of Boeing's supply base**, the largest portion in the country. Boeing's strategy of building airplane components at some facilities and assembling them at others requires they be able to **move both large pieces of airplane, small parts, and people efficiently**. In order to reduce storage space, Boeing is more dependent than ever on just-in-time delivery of parts. Over 65% of Boeing's Washington State supply base is located in Seattle's Eastside and the Auburn Valley. This makes I-5 and I-405 critical in the Boeing supply chain as parts are moved from the manufacturing facilities to Renton and Everett for assembly.



Boeing has a large transport fleet of **186 vehicles and 239 drivers** to move people and airplane parts to over **18 Puget Sound sites**. These vehicles come in all sizes and shapes,



including semis with trailers, box vans, flat beds, vans and support vehicles. Boeing also has **200 railroad cars** dedicated to moving airplane parts. They contract with 9 ocean carriers calling on East and West Coast ports, with **7 of those carriers operating through the Ports of Seattle and Tacoma each week.**

Threats/Challenges

Ocean Freight

- Weekday-only shifts at ports means that freight arriving on weekends is delayed.
- Inadequate port access causes additional delays.

Roadway

- Commuter curfew restrictions mean that freight can only travel during certain times of the day.

- Traffic congestion and merging plans make it difficult to develop reliable shipping schedules and challenging to maneuver in heavy traffic.
- Unexpected construction causes costly delays for freight movement.
- Some bridges and overpasses are inadequate for shipping large components.

Rail

- Reduced railcar service impacts shipping options.
- Railroad infrastructure and rail car sizes are inadequate for shipping large components.
- BNSF delays in Spokane pose further problems.

Air

- 48-hour delays on weekend freight deliveries due to airport freight hours slow freight movement.
- Limited air freighter service to and from Puget Sound makes it difficult to schedule shipments.
- Unpredictable access for freight drivers impacts reliability needed to make air connections.
- Abrupt signage at SeaTac Airport is unsafe and can result in extra trip length.

Strategies

- ▶ Document and share height and width of bridges and overpasses.
- ▶ Improve the communication between WSDOT and freight users to announce and plan for road construction projects.
- ▶ Improve just-in-time delivery efforts by placing MPRF on shop floors to coordinate with logistics services and global suppliers.
- ▶ Increase port and airport hours to include weekends

Doug Baker, United Parcel Service

What's at Stake

UPS is both a provider and a user, delivery vans making up only a portion of their overall business. Customers care more about information and schedules, making mobility and reliability the primary concern. In order to meet delivery schedules, UPS must add more trucks to the roadways, adding to the congestion that slows them down.

Threats/Challenges

Traffic congestion is the primary problem that UPS faces in meeting customers' reliability expectations. Historically, they have been able to rely on using side streets, but congestion has increased there, too. Limited port and airport hours of operation also hinder UPS's delivery schedule.

Strategies

- ▶ Continue to improve regional mobility, including constructing grade separation projects.
- ▶ Continue to increase port efficiency – it's making a difference.

Dan Gatchet, West Coast Trucking

Threats/Challenges

Two key challenges face the trucking industry: attracting and retaining reliable drivers, and congestion at rail and marine terminals and on highways.

Strategies

- ▶ Extend marine gate hours to 24 hours per day.
- ▶ Increase the use of technology to speed the flow of trucks through terminals.

Freight Providers

Doug Ljungren, Port of Tacoma

What's at Stake?

Local jobs! Every 1000 twenty-foot equivalent units (TEUs) creates 2.7 direct transportation service jobs. An average container vessel calling in Tacoma creates 7.8 full time equivalent (FTE) direct jobs. The Ports of Seattle and Tacoma combined create **12,300 direct transportation service jobs**.

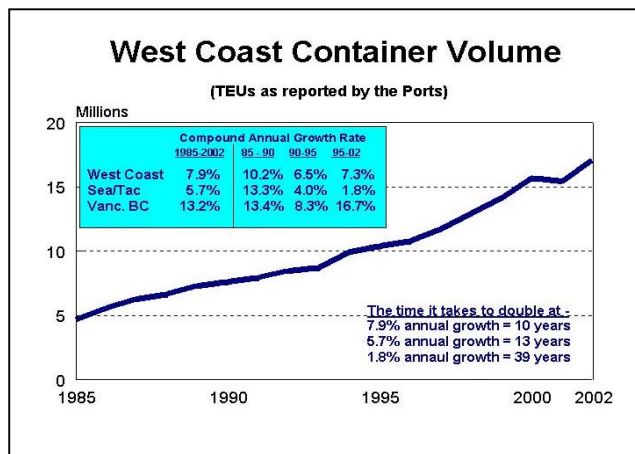
Loss of Market Share

Overall growth in West Coast container volume has slowed since 1990, from 10.2% to 7.9%. Seattle and Tacoma have experienced the slowest growth (1.8%) between 1995 and 2002, while Vancouver, BC has seen a growth of 16.7% during the same time period. In the past 5 years, **Puget Sound ports have seen a TEU growth of 8%, compared to a 74% growth enjoyed by Vancouver.**

65% of our international trade is discretionary – meaning it could go to other ports.

The Competition - Major Container Ports in North America

	2002 TEUs
1. Los Angeles	6,105,863
2. Long Beach	4,524,039
3. NY/NJ	3,749,014
4. Oakland	1,697,618
5. Charleston	1,592,836
6. Tacoma	1,470,834
7. Vancouver B.C.	1,458,242
8. Seattle	1,438,871
9. Hampton Roads	1,437,779



The Puget Sound's share of *foreign* market TEUs has **decreased 11.9%** since 1998. We've lost to Vancouver and California, as well as to East Coast ports.

Threats/Challenges

- The Alliance of Cooperation between the Panama Canal and East Coast Ports has created an all-water route from Asia to the East Coast. New projects will boost transits by up to 25%.
- Canadian Rail Lines offers better rates to the American heartland than US railroads can offer.
- West Coast ports including LA/Long Beach and Vancouver, B.C, continue to pose a threat.



Strategies

- ▶ An efficient local transportation system will enhance the competitiveness of local shippers as well as attract international cargo.
- ▶ Capacity at the Ports of Seattle and Tacoma needs to be increased through land, technology, and efficiencies.
- ▶ This effort will require alliances.

Kent Christopher, Port of Seattle

What's at Stake?

The Port of Seattle generates **165,000 regional jobs**, \$12 billion in business revenues, \$1.3 billion in local purchases, and \$606 million in state and local tax revenues. The port has a trade imbalance of \$23.8 billion – we import \$18.5 billion, but export only \$5.25 billion. Washington exporters take advantage of these empty containers for shipping.

What's Working

- On-dock and near-dock rail.
- Intermodal connections.
- Interstate access improvements.
- Terminal investments totaling \$641 million.
- Partnerships with truckers to improve access.
- Competitive, sometimes faster, rail travel times to Chicago.



Threats/Challenges

- Larger ships impact the Port's physical and operational capacity. The Port must purchase expensive larger cranes and develop larger terminals, which is difficult in an urban area.
- Competition from all West Coast ports, already an issue, is exacerbated by rail rate incentives available in Canada but not in the U.S.
- Competition also comes from East Coast and Gulf ports.

- Constraints of land use and urban infringement on port expansion limit options.
- Government regulation is a continuing issue.

Strategies

- Grow regional distribution and intermodal services.
- Evaluate agile port concepts.
- Improve Port efficiencies including terminal access, and technology, operational, and security initiatives.
- Invest in transportation infrastructure.

Cliff Benson, Puget Sound Steamship Operators Association

What's at Risk?

The steamship industry includes containers and bulk cargo, primarily foreign-owned. The biggest concerns of foreign owners are overall time, reliability, and cost, rather than the specifics of local regulations. Industry growth is shifting from the Northwest due to the increasing population density and high cost of doing business, though that shift may be slowing.

Threats/Challenges

- The land side of shipping is more problematic and less reliable than the marine side.
- Disparate security regulations among states gives the impression that doing business in the Northwest is unfavorable.
- Commuter rail blackout periods may significantly affect rail.
- Breaching the Columbia River dams without dredging will make that route nearly impassible for grain freight.
- The public does not understand the importance of freight movement to the economy and jobs.

Strategies

- Freight needs to have a continuing voice and presence in the minds of the public and legislature, to ensure awareness of the necessity of freight, and to ensure that freight issues are dealt with.

Chris Fidler, DHL/Airborne Express

What's at Risk?

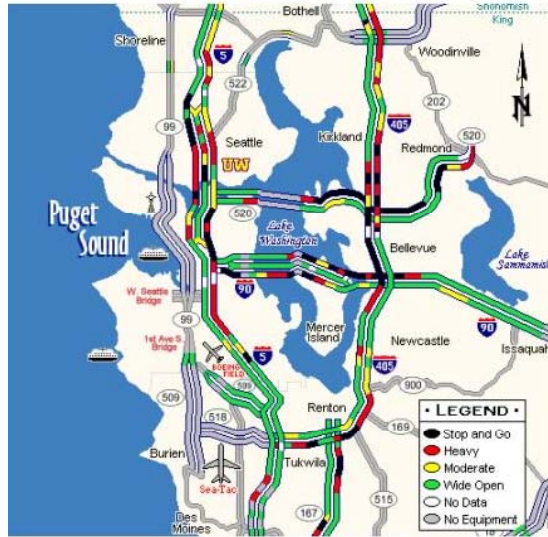
Businesses need access to an efficient distribution system, and will relocate if they find conditions unfavorable. DHL/Airborne Express stresses site location and characterization to improve efficiency. Their Ohio hub is able to meet specific on-time air departures because of a lack of congestion, and because the hub is a private airport.

Threats/Challenges

Traffic congestion and delays are very damaging to businesses that rely on just-in-time delivery. Congestion in the Puget Sound region causes delays for shipments leaving from Seattle, causing the freight to miss connections in Ohio.

Strategies

- Business site selection should support the business goals and strategy, provide value to customers, and ensure the company will be viewed positively by the community.
- Logistics and distribution must be considered, especially in congested regions.
- Businesses should plan with an economic development committee if the business is dependent on overnight air shipments.



International View

Jess Browning, University of Washington

The State of Global Commerce

- Currently, Pacific trade dominates the industry. But changes in global commerce are working to affect a shift towards a reverse in inbound U.S. cargo flow.
 - China and Russia joining the WTO
 - Chinese and Russian railroads want to develop systems going west and to the Middle East
 - Merging of communications and computers
 - Changes to product life cycles
 - Changes to manufacturing locations to lower costs

Threats/Challenges

Marine

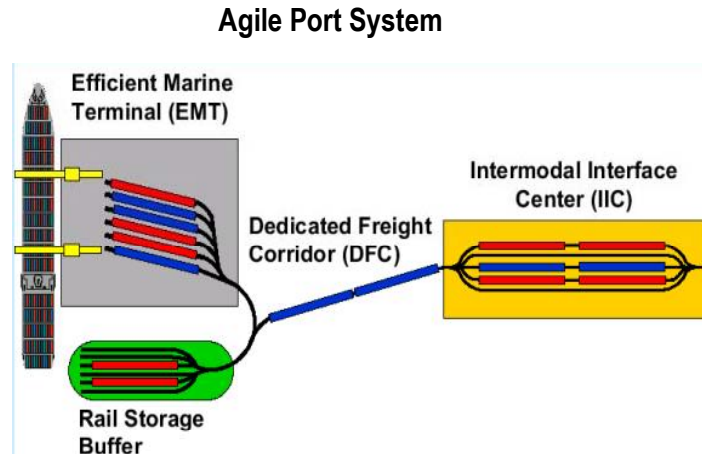
- As ships become larger port terminals will need to become larger, too.
- Terminal space is being used to store or “inventory” cargo, which is inefficient use of valuable space.
- Marine to rail interface is inefficient

Air

- World market growth of air cargo is growing at 6.6% per year, which means the cargo fleet will double by 2016
- Roles and relationships within the Logistics Industry are changing dramatically
- There is inadequate capacity at Sea-Tac for air cargo and related facilities

Surface

- Intermodal connectors
- Grade separations
- Incidence management on highways
- Agency cooperation is lacking
- Little redundancy N-S and E-W
- No Western Transportation Corridors
- Arterial Cirrhosis
- Utilization of interstate right of way
- Driver behavior



Strategies

- FAST must convince stakeholders that improvements can and must be made
- A systems perspective and better understanding of how global commerce functions and evolves is needed for regions to be globally competitive in the future.
- **Marine-specific strategies include:**
 - Establish efficient marine/inter-modal terminals (Agile Port System)
 - Establish a corridor for easy transfer to inland sorting complex, to move static operations away from the marine terminal
 - Increase use of short sea shipping strategies to better utilize waterways, relieve congestion on roads and improve efficiencies in freight transportation
 - Establish a data management system
- **Marine/Rail interface strategies include:**
 - Integrate the simultaneous load and discharge of a container ship with a double-stack train
 - Supply and remove car loads of ship-specific containers to and from shipside on demand
- **The Pentaport Concept**

The Pentaport is a regional hub with connected clusters of business, technology, leisure, airport and marine economic activity. It offers many advantages in the global market, including:

 - Institutional linkages
 - Accessibility
 - Transportation linkages
 - Relative location
 - External relationships
 - Interconnection and interdependencies

RESPONDING TO THE THREAT

FAST members considered their role in responding to the challenges posed by the day's speakers, including an evaluation of FAST membership, geographic reach, and key opportunities.

Should FAST change it's membership?

The FAST *membership* should remain intact and focused on the Puget Sound region, however, FAST should plan to reach out and develop new partnerships. Some suggestions for potential outreach areas include:

- Eastern Washington
- Other ports
- Chicago
- West Coast Coalition

Where should FAST focus future efforts?

The geographic footprint of FAST covers the metropolitan edge of Puget Sound, from the Port of Everett to the Port of Tacoma, and north-south freight corridors that connect the ports and railroads. Workshop participants confirmed that the membership should be generally tied to this geographic region (as the current membership is); however, many suggested that the geographic *reach or influence* of FAST may need to expand.

Being able to show reliability and travel time savings along an entire route is needed to lure international customers to Washington ports. Efficient freight movement over the length of a trip requires efficient movement at each point in the trip. For example, bottlenecks further east (as close as Snoqualmie Pass or as far as Chicago) could erode any benefits gained by the sort of local projects that FAST has invested in so far. Likewise, fixing small bottlenecks in the Puget Sound region will not make a significant reduction in travel time or increase reliability for freight bound to the mid-west. For these reasons, FAST should consider:

- ▶ Expanding their reach to consider east-west corridors, as far as Moses Lake and beyond to Chicago;
- ▶ Partnering with other agencies, groups, and states to enhance east-west freight corridors that strengthen the economic competitiveness of the Puget Sound ports.

What is FAST good at?

FAST has been very successful at obtaining funding (primarily at the federal, but also at the state and local levels) to build projects that improve the mobility of freight, provide access to the ports, and make intermodal connections more efficient. FAST is recognized for developing and maintaining a strong coalition of partners for project selection and delivery. FAST should maintain this focus.

Ideas and options for broadening or re-examining FAST's role were discussed, including:

- Adding warehouse/distribution centers to intermodal connections;
- FAST be proactive instead of reactive to changing economic conditions;
- Finding ways for FAST projects to be more responsive to the quickly changing marketplace and customer demands;
- Embracing a broader strategy, a longer range vision, and clearly tying individual projects to that vision;
- Embarking on research to better understand problems encountered by long-haul shipments.

Regarding FAST Phase I and Phase II projects, two key considerations were emphasized:

- FAST Phase I and Phase II projects should be completed prior to moving into a Phase III;
- FAST Phase I and Phase II projects should be re-evaluated at this time to see if they meet the objective of improving the economic competitiveness of the region.

What are the Threats, Challenges, Opportunities, Strategies and Actions?

These are segregated into three key areas – Funding, Messaging, and New Opportunities.

FREIGHT PROJECTS AND FUNDING

The group focused project and funding discussions around two major themes: what kinds of projects FAST should fund and where funding might be found. The group clearly articulated that projects must have strategic value; some participants suggested projects must show measurable benefits as well. A more comprehensive discussion of funding activities and needs is planned for the next workshop.

Threats, Challenges & Opportunities

1. The Northwest economy is suffering the loss of international and national market share at Puget Sound ports. Jobs directly related to freight movement and industries that rely on efficient movement have been lost and continue to be at risk. 165,000 jobs are tied to the Port of Seattle alone. Transportation congestion, port access and efficiency issues, and government regulations have created a perceived “unfriendly business environment.”
2. International Threat - partnership of the Canadian railroads and Port of Vancouver
 - Port of Vancouver has experienced a 74% growth compared to Puget Sound port growth of 8% in the last 5 years.
 - Canadian railroads are able to provide shipping incentives that US railroads cannot due to government regulation.
 - Chicago-bound shipments are using the Port of Vancouver to take advantage of Canadian rail incentives and direct Canadian rail access to Chicago and beyond.

- Travel time to Chicago from the West Coast is the same for Canadian rail and US rail.
3. International Threat – “Alliance of Cooperation” between Panama Canal and East Coast ports
 - Creating an all-water passage to the East Coast.
 - Recently completed Panama Canal improvements have increased transits by 20%.
 - Planned Panama Canal projects will increase transits by another 25%.
 4. National Threat – Ports of LA/Long Beach
 - The ports of LA and Long Beach accept over 3 times as many TEUs as the ports of Tacoma and Seattle.
 - Shipping time to the Midwest is approximately equivalent to Northwest ports.
 - The Northwest needs to identify and provide an advantage over California. Research may be useful for identifying efficiency issues along the entire inland route from waterfront to Chicago.
 - FAST projects have been successful at reducing delays for freight, but because projects are scattered throughout the north-south corridor, the overall strategic impact is difficult to measure compared to a project like the Alameda Corridor.
 5. National Threat – Loss of Boeing 7E7 Construction and Assembly
 - Boeing is considering other locations for the construction of the 7E7 because of an unfavorable business climate and mobility issues.
 - Construction and assembly require the ability to move large parts of airplanes between plants on rail and roadway, to accept large shipments at the ports, and to move small parts around the region efficiently and reliably.
 - Boeing has laid off 35,000 workers to date.
 6. Opportunity – Developing a freight system that supports a new or emerging industry.
 - The Northwest has a stable and growing biotech industry. What are their freight needs and are those needs being met?
 - Are there other industries or types of business we can bring to the Northwest? An approach would be to target an industry, learn its needs, and develop locations with efficient freight access that meet those needs.
 7. Threat/Opportunity – Coordinating Freight with Passenger Rail
 - Passenger rail is increasing in the Puget Sound region and operates on the same tracks as freight.
 - Passenger rail may institute “black out” times for freight movement.
 - Movements of both freight and passenger rail need to be coordinated.
 8. Funding Challenge – No dedicated freight funding in Washington.
 - Dedicated freight funding was lost with Initiative 695, leaving freight without a reliable, consistent funding source.
 - FMSIB was created to evaluate, prioritize and advocate for freight projects.

- Freight projects must compete with other projects across the state for general transportation dollars, or settle for the benefits gained by rare capacity projects.
- FAST requires a local match by jurisdictions that host projects. Occasionally, the funding priorities of local jurisdictions change, leaving projects without the anticipated local match. This can tie up FAST funds that might have been available for other projects.
- Project delays cause projects to lose the attention of supporters and can put dedicated funds with spending timelines at risk. Delays can be caused by local and environmental permitting processes and funding processes.

9. Funding Challenge – What gets funded?

- The “peanut butter” approach to funding (spreading it around so everybody gets something) doesn’t allow us to build the big, and possibly more strategic, projects.
- FAST partners need to continue building consensus about which projects are most important so that limited funding can be applied in the most cost effective way.
- The funding process may be too political: favorites get funded that might not be the most important to the strategic economic goals of the region.

Strategies & Actions

- Develop a big-picture vision that increases the Northwest’s national and international competitiveness.
 - Which international and national threats will FAST focus on?
 - What are the strategies to address the threats? Figure out how inland ports, agile ports, improved port, rail, air, roadway and intermodal efficiencies play a role.
 - What partnerships are needed to support this strategy – local, national, international?
 - Should FAST support a type of industry, continue to work to retain Boeing, solidify biotech, or identify new markets?
 - Determine the kinds of projects that build the vision. Evaluate how FAST Phase I and Phase II projects fit into this picture. Are we using the right criteria to evaluate projects, or should the criteria be updated to fit this new vision?
- Funding should be focused on strategic investments that build this vision, those projects that make the most economic sense for the state, bring us national and international market share, and increase our national and international competitiveness.
 - FAST should retain the current practice of requiring local match funding by jurisdictions in order to show commitment.
 - FAST partners should work quickly to include a freight component in the Regional Transportation Improvement District (RTID).
 - In order to bring private partners to the table, the direct benefit to them will need to be identified.

- Funds should be “fungible,” meaning that funds go to the freight program rather than individual projects. This would accommodate shifting local priorities or delays without hindering overall progress toward the regional freight strategy.

MESSAGING FAST

There was overwhelming consensus that the freight message needs to be refreshed, updated, and marketed in order to capture the attention of the legislature, public, and private partners. A **clear, compelling message** relating to an overall freight strategy that **enhances economic competitiveness** is needed to encourage investment in freight. (The discussion of who should market these messages and how will be considered at a future workshop.)

What are the Key Messages?

1. Sell our successes. FAST has a history of cooperation among agencies and unusual success at building multi-partner projects. The successes of the initial FAST efforts and projects need to be defined and promoted.
2. FAST is trying to solve serious economic problems in order to ensure the economic health and vitality of the Puget Sound Region.
 - Puget Sound ports have lost national and international market share.
 - We need to be able to accommodate rapidly increasing growth rates in freight movement including freighter size.
 - We need to support local, national, and international business.
 - The economic impacts of inefficient and benefits of efficient freight movement to both the local and national economy are critical issues that must be addressed.
 - Efficient freight mobility is directly tied to retaining jobs in the region.
3. Freight needs dedicated funding in order to build the sort of strategic, large scale projects that will keep our region competitive in the local, national and international marketplace.
4. Freight movement benefits from other regional congestion relief projects; however, these benefits are insufficient to make freight movement competitive. Intermodal connections, port expansion and efficiencies, and integration of air, marine, rail and roadway modes are critical.

Strategies & Actions

- ▶ Target messages to Legislators so they understand how freight projects are directly tied to our national and international competitiveness, and therefore warrant immediate attention and funding.
- ▶ Target messages to Taxpayers/Public so they support and advocate for the funding of freight projects, rather than eliminate funding.
 - Direct and quantifiable benefits are needed to overcome apathy and ignorance.
- ▶ Target messages to Private Investors (freight movers, freight users, businesses that rely on the ability to move freight freely).
 - Identify direct payoffs to the private sector of investment in freight mobility.
 - Encourage political and financial investment by private industry.
- ▶ Target Overseas Transporters
 - Identify and promote the benefits in reliability and cost of shipping through Puget Sound ports.
- ▶ Find and support champions for individual freight projects.
- ▶ Quantify project benefits for marketing use.
- ▶ Define how FAST integrates with other programs/interests.
- ▶ Develop talking points and key messages for speakers bureaus.
- ▶ Use a multi-media approach – website, radio, TV, newspapers.

FAST Decision Matrix

Decision	Themes	Issues
<i>What threats (national and international) should FAST focus on?</i>	<ul style="list-style-type: none"> ▪ We are losing foreign market share ▪ Ports need to increase capacity ▪ Traffic congestion is a major threat to competitiveness 	<ul style="list-style-type: none"> ▪ There are threats from all directions: Canada, LA/Long Beach, Panama Canal
<i>Where should FAST focus future efforts?</i>	<ul style="list-style-type: none"> ▪ Intermodal is key ▪ Expand the reach to include more east-west corridors 	<ul style="list-style-type: none"> ▪ Projects are too political ▪ ‘Peanut butter’ approach is problematic ▪ Seek out new industries (e.g. biotech) vs. supporting existing businesses (Boeing, UPS)
<i>Where can funding be sought?</i>	<ul style="list-style-type: none"> ▪ FAST has a history of success in securing funding for projects ▪ Funding should be “strategic,” focus on investments that build the overall vision 	<ul style="list-style-type: none"> ▪ FAST should be a “program,” not just a series of projects
<i>What are the criteria that should be used to evaluate FAST Phase I and II projects at this point?</i>	<ul style="list-style-type: none"> ▪ Projects should be “strategic investments,” that is, make economic sense and increase competitiveness 	<ul style="list-style-type: none"> ▪ Continue to build consensus on priority projects
<i>Should FAST membership change?</i>	<ul style="list-style-type: none"> ▪ Keep current membership ▪ Need new partnerships 	<ul style="list-style-type: none"> ▪ Go as far east as Chicago ▪ Join West Coast Coalition
<i>What are FAST’s key messages? Who should receive them?</i>	<ul style="list-style-type: none"> ▪ Freight means jobs! ▪ Need to capture the attention of the legislature, public and business to build support ▪ Freight needs dedicated funding in order to keep the region competitive 	